

Service Date: August 3, 1982

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * *

IN THE MATTER Of The Application)	
Of GENERAL TELEPHONE COMPANY OF)	UTILITY DIVISION
THE NORTHWEST, INC. For Authority)	DOCKET NO. 82.6.39
To Increase Rates For Telephone)	✓ INTERIM ORDER NO. 4923
Service.)	
)	

✓ 82-29

FINDINGS OF FACT

1. On June 23, 1982, General Telephone Company of The Northwest, Inc. (Company) filed an application for a general rate increase that would generate additional annual revenues of \$611,163. Included in this filing was a request for interim relief in the amount of \$225,721.

2. The Company's last general rate increase was granted on May 31, 1960. The adjustments, methodology and rate of return on equity from that order are outdated and accordingly the requirements of ARM 38.5.506(2)(b) are irrelevant to the subject filing.

3. The Company uses a historic test year of December 31, 1981 adjusted for certain known and measurable changes to calculate its request for interim relief. The Commission finds this method to be appropriate given the span of over twenty-two (22) years, that has passed since the Company's last general rate case.

4. The Company requests a rate of return equal to it's embedded cost of long-term debt be used to calculate interim

rate relief. This cost is calculated to be 9.39 percent. The Commission grants this request.

5. In Attachment 1 to the Company's application for an Interim Rate Increase the Company makes the following adjustments to test year net operating income and average rate base:

	<u>Net Operating Income</u>	<u>Average Rate Base</u>
Interest During Construction	\$(2,867)	55,429
Toll Revenues	9,980	--
Uncollectibles	2,032	--
Federal Income Tax	(587)	(12,461)
Station Conn. Expensing	(25,874)	275
Toll Revenue (Docket No. 80.12.100)	47,841	--
Hourly Wages 1981	(9,351)	--
Management Salary 1981	(1,562)	--
Annualization	(14,792)	316,342

The Commission agrees to consider the above adjustments with the exception of the annualization adjustment for calculating interim rate relief. Final determination on these adjustments will be made in the Commission's final order in this docket. The annualization adjustment is in variance with the concept of a historic test year and therefore the Commission will not consider it for interim purposes.

6. In addition to the above adjustments the Commission makes adjustments to the test year to amortize federal income taxes deferred at a rate in excess of 46 percent over a two year period and adjust interest to the amount calculated as adjusted rate base plus construction-work-in-progress multiplied by the weighted cost of long-term debt. These two adjustments have the effect of increasing net operating income by \$1,716 and

decreasing average rate base by \$1,535. These adjustments are for interim calculations and should not be considered as final at this time.

7. Based on Findings of facts 2 through 6 the Commission grants the Company interim rate relief to generate additional annual revenues of \$131,523 as follows:

1981 Actual Net Operating Income	\$362,257
Interim Adjustments to No. 1	21,328
Adjusted No. 1	<u>\$383,585</u>
1981 Average Rate Base	\$4,732,639
Interim Adjustments to ARB	41,708
Adjusted Average Rate Base	<u>\$4,774,347</u>
Required Interim Rate of Return	9.39%
Required Net Operating Income	448,311
Adjusted Net Operating Income	<u>383,585</u>
Net Operating Income Deficiency	64,726
Income To revenue Multiplier	2.032
Interim Revenue Requirement	<u><u>\$ 131,523</u></u>

RATE DESIGN

8. GTNW has proposed major rate design changes including (1) the establishment of a directory assistance charge, and (2) to unbundle and establish a main station rate from the access charge rate.

9. As the Commission chooses to defer consideration of the Company's rate design proposals until after the hearing the interim increase of \$131,523.0 must be constrained to existing services and products. Consequently, the Commission directs the Company to increase all existing revenues

except for the local coin telephone rate, from each product and service by a uniform percent increase that generates \$131,523.

10. The Company is directed to submit compliance tariffs and workpapers showing all resulting rates. These tariffs will be effective on approval.

CONCLUSIONS OF LAW

1. General Telephone Company of the Northwest, Inc. is a public utility furnishing telecommunications services to consumers in the State of Montana and as such is a "public utility" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana operations pursuant to Title 69, Chapter 3, MCA.

3. Section 69-3-304, MCA, provides, in part: "The Commission may, in its discretion, temporarily approve increases pending a hearing or final decision."

4. ARM 38.5.508 states that: "The Commission, in its discretion, may at any time, waive any or all of these rules."

5. The rate levels and structure approved herein are not an unreasonable means of providing interim relief to the Company. The rebate provisions of Section 69-3-304, MCA, shall apply in the event that any charges authorized by this order are ultimately found unreasonable.

ORDER

THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. The Company may institute the temporary rate changes authorized by the preceding Findings of Fact. The Company is directed to file tariffs based on Findings of Fact 7 through 10. Tariffs will be effective upon approval by the Commission.

2. Interim revenues granted herein are subject to rebate should the final order in this docket determine that a lesser increase is warranted. Such a rebate would include interest at 10 percent per annum.


3. Nothing in this Interim Order precludes the Commission from adopting in its final order, after reviewing the entire record in this Docket, a revenue requirement different from that contained in this Order.

4. The requirements of ARM 38.5.506(2)(b) are waived.


DONE IN OPEN SESSION this 2nd, day of August, 1982 by a

4 - 0 vote.

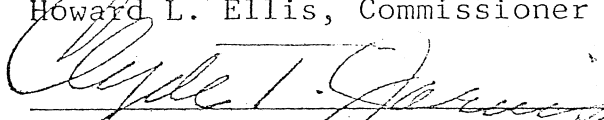
BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.



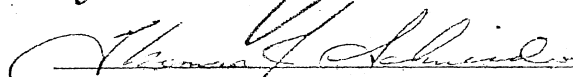
John B. Driscoll, Commissioner



Howard L. Ellis, Commissioner

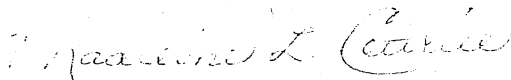


Clyde Jarvis, Commissioner



Thomas J. Schneider, Commissioner

ATTEST:



Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: You may be entitled to judicial review of the final decision in this matter. If no Motion For Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this order. If a Motion For Reconsideration is filed, a Commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of ten (10) days following the filing of that motion. cf. the Montana Administrative Procedure Act, esp. Sec. 2-4-702, MCA; and Commission Rules of Practice and Procedure, esp 38.2.4806, ARM.